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4 **TESTIMONY OF JACQUELINE R. CHERRY**
5 **FOR**
6
7 **THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**
8
9 **DOCKET NO. 2001-001-E**
10
11 **IN RE: CAROLINA POWER & LIGHT COMPANY**
12
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14 **Q. PLEASE STATE FOR THE RECORD YOUR NAME, BUSINESS ADDRESS**
15 **AND POSITION WITH THE PUBLIC SERVICE COMMISSION OF SOUTH**
16 **CAROLINA.**

17 **A.** My name is Jacqueline R. Cherry. My business address is 101 Executive Center
18 Drive, Columbia, South Carolina. I am employed by the Public Service Commission
19 of South Carolina, Audit Department, as an auditor.

20 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**
21 **EXPERIENCE.**

22 **A.** I received a B. S. Degree in Business Administration, with a major in Accounting
23 from Johnson C. Smith University in 1976. I was employed by this Commission in
24 February 1979, and have participated in cases involving gas, electric, telephone,
25 water and wastewater utilities.

26 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
27 **PROCEEDING?**

28 **A.** The purpose of my testimony is to set forth, in summary form, the Staff's findings,
29 and recommendations resulting from our review of the Company's fuel adjustment
30 clause operation for the period January 2000 through March 2001. These findings
31 and recommendations are set forth in detail in the Staff's report.

32 **Q. WHAT WAS THE SCOPE OF YOUR AUDIT?**

1 A. The Audit Department Staff traced the information as filed in the Company's
2 required monthly filings, to the Company's books and records. The audit covered
3 the period January 2000 through December 2000. The purpose of the audit was to
4 determine if Carolina Power & Light Company had computed and applied the
5 monthly Fuel Adjustment Clause in accordance with the approved clause. To
6 accomplish this purpose, Staff examined the components surrounding the operation
7 of the clause.

8 **Q. WHAT WERE THE STEPS THAT THE STAFF EMPLOYED WITHIN THE**
9 **SCOPE OF THE AUDIT?**

10 A. The examination consisted of the following:

- 11 1. Analysis of Account # 151 – Fuel Stock
- 12 2. Sample of Receipts to the Fuel Stock Account – Account # 151
- 13 3. Verification of Charges to Nuclear Fuel Expense, Account # 518
- 14 4. An Analysis of Purchased Power and Interchange (Net)
- 15 5. Verification of KWH Sales
- 16 6. A Comparison of Coal Costs
- 17 7. Recomputation of Fuel Costs Adjustment Factor and Verification of
18 Deferred Fuel Costs
- 19 8. Recomputation of True-up for the (Over) Under-Recovered Fuel Costs
- 20 9. Analysis of Spot Coal Purchasing Procedures

21 **Q. MRS. CHERRY, WOULD YOU ELABORATE ON THE SCOPE OF YOUR**
22 **EXAMINATION?**

23 A. Staff's analysis of the Fuel Stock Account consisted of tracing receipts and issues
24 from the Fuel Management System by month to the General Ledger. Staff's sample
25 of receipts to the Fuel Stock Account consisted of randomly selecting transactions,
26 tracing each of these transactions to a waybill and a purchase order for
27 documentation purposes, and recalculating the transactions to insure mathematical
28 correctness. Staff verified nuclear fuel expense amounts to the Company's General
29 Ledger. The expenses were also verified to the monthly fuel reports filed by the
30 Company with this Commission. Staff performed an examination of the Company's

1 purchased power and interchange amount used in the Fuel Adjustment Clause for the
2 period January 2000 through December 2000. Staff obtained the details of
3 purchases and sales made by Carolina Power & Light Company to and from other
4 electric utilities and verified the amounts that are being used in computing total fuel
5 cost for each month. Furthermore, PSC Order No. 90-961, Docket No. 90-4-E,
6 dated October 18, 1990, directed Staff to examine the Company's nonfirm, off-
7 system sales. Accordingly, Staff traced the sales and purchases transactions for
8 January 2000 through December 2000 to the Company's monthly sales and
9 purchases invoices. Staff recomputed all of the sales and purchases. In accordance
10 with Public Service Commission Order No. 90-961, Docket No. 90-4-E, dated
11 October 18, 1990, Staff will continue to review the Company's nonfirm, off-system
12 transactions during future audits. Staff's review of KWH sales included verification
13 of total system sales as filed in the monthly factor computation. Staff prepared
14 exhibits from Carolina Power & Light Company's books and records reflecting coal
15 costs during the review period. Specifically, these exhibits are as follows:

16 Exhibit A – Coal Cost Statistics (and Weighted Average of Coal Received)

17 Exhibit B – Received Coal – Cost Per Ton Per Plant

18 Exhibit C – Received Coal – Cost Per Ton Comparison

19 With reference to Exhibit A, Coal Cost Statistics, Staff has reflected a detailed
20 analysis of spot and contract coal for the twelve-month period January 2000
21 through December 2000. Exhibit A provides detail of tons received, cost per ton
22 received, total received cost, percentage of tons received and cost per MBTU. Also,
23 in Exhibit A, the Weighted Average of Coal Received is reflected for the twelve-
24 month period. In Exhibits B and C, Staff reflects a comparison of coal costs on a per
25 ton basis. Exhibit B is a comparison between Carolina Power & Light's plants, and
26 Exhibit C is a comparison between companies.

27 Staff analyzed the cumulative under-recovery of fuel costs that the Company had
28 incurred for the period January 2000 through December 2000, totaling \$18,627,471.
29 Staff added the projected over-recovery of \$73,810 for the month of January 2001,
30 the projected over-recovery of \$348,034 for the month of February 2001, and the

1 projected over-recovery of \$225,990 for the month of March 2001 to arrive at a
2 cumulative under-recovery of \$17,979,637 as of March 2001. The Company's
3 cumulative under-recovery, per its testimony in Docket No. 2001-001-E, as of
4 December 2000 totals \$19,014,636 and as of March 2001 the cumulative under-
5 recovery totals \$18,366,803. The difference between the Company and the Staff's
6 cumulative under-recovery as of actual December 2000 is \$387,165 and the
7 difference as of estimated March 2001 is \$387,166 (the difference between the
8 respective cumulative differences is based on rounding). The cumulative difference
9 as of December 2000 of \$387,165 is based on Staff's calculation adjustments to the
10 Company's Purchased Power Costs for January 2000 through December 2000 (per
11 Staff's report), after Staff reviewed the Company's Purchased Power invoices and
12 reports.

13 As stated in Carolina Power & Light's S.C. Retail Adjustment for Fuel Costs Rider,
14 fuel costs will be included in base rates to the extent determined reasonable and
15 proper by the Commission. Accordingly, the Commission should consider the
16 under-recovery of \$17,979,637 along with the anticipated fuel costs for the period
17 April 1, 2001 through March 31, 2002, for the purpose of determining the base costs
18 of fuel in base rates effective April 1, 2001. The \$17,979,637 under-recovery figure
19 was provided to the Commission's Utilities Department. Refer to Exhibit G, South
20 Carolina Fuel Costs Computation, for details of the under-recovery computation.

21 **Q. MRS. CHERRY, WHAT WERE THE RESULTS OF THE AUDIT**
22 **DEPARTMENT'S AUDIT?**

23 **A.** Based on the Staff's examination of Carolina Power & Light Company's books and
24 records, a comparison of fuel costs among utilities, and the utilization of the fuel
25 costs recovery mechanisms as directed by this Commission, the Audit Department is
26 of the opinion that the Company has complied with the directives of the
27 Commission.

28 **Q. MRS. CHERRY, WOULD YOU IDENTIFY THE REMAINING EXHIBITS**
29 **CONTAINED IN YOUR REPORT THAT HAVE NOT BEEN IDENTIFIED?**

30 **A.** The exhibits are as follows: